

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6182

BILL NUMBER: HB 1093

DATE PREPARED: Nov 13, 1998

BILL AMENDED:

SUBJECT: Public pension funds.

FISCAL ANALYST: James Sperlik

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill make the following provisions:

- 1) that the annuity savings account of a member of the Public Employees' Retirement Fund (PERF) or the Teachers' Retirement Fund (TRF) shall be valued as of the valuation date coinciding with or preceding the member's date of retirement for any portion annuitized and shall be valued as of the last valuation date, plus any contributions since that date, for any portion distributed in a lump sum.
- 2) that the PERF Board and the TRF Board shall suspend a person's fund membership and shall pay the person the annuity savings account if the member has not performed any service in a covered position during the past two years, is not vested, and has a total benefit value of less than \$200.
- 3) for PERF and TRF to pay an estimated retirement benefit to a member under certain circumstances.
- 4) that after a member's actual retirement benefit is calculated, the fund shall temporarily adjust the member's benefit to reconcile any underpayment or overpayment that resulted from the payment of estimated benefits.
- 5) that a member of PERF or TRF may designate a new beneficiary under certain circumstances.
- 6) for a member of PERF or TRF to elect to begin receiving the member's pension benefit but to leave the member's annuity savings account invested until a later date.
- 7) for continued use of an earnings limit prepared under federal Social Security laws to determine how much a PERF or TRF member who is receiving benefits may earn in a fund-covered position before the member's benefits are suspended and the member is reinstated into active membership, but specifies the time period within which the limit is applied and provides for an automatic suspension of benefits if a member is reemployed within 90 days of retirement.

8) that an employer is required to submit a PERF member's membership records to the PERF board not more than 30 days after the member is hired. It also provides that if an employer does not provide the PERF board with employees' membership records or other reports or payments within 30 days after the records, reports, or payments are due, the PERF board may fine the employer \$100 for each day the records, reports, or payments are late.

9) for the Auditor of State to withhold this penalty from money payable by the state to the employer.

10) for certain individuals to claim service credit in PERF if the individuals: (1) were erroneously enrolled in PERF before 1980; (2) made contributions to PERF; and (3) were subsequently denied all or part of the service credit for a position that would otherwise be covered by PERF.

11) for PERF members to purchase service credit at actuarial cost for their prior service in positions covered by the 1925 Fund, the 1937 Fund, or the 1953 Fund if they did not vest in any of those funds.

12) that TRF members may purchase service credit for private school teaching after one year of credited service in TRF. (Current law provides that the private school service credit may be purchased only after the TRF member has ten years of credited service in TRF.)

13) that a TRF member that purchases service credit for private school teaching may not claim the service credit until the member has at least ten years of credited service in TRF. (These changes would make the provisions concerning purchase of private school service credit consistent with provisions concerning the purchase of other forms of service credit.)

14) that private school teaching credit may be claimed for teaching kindergarten through postsecondary school.

15) that a member of TRF to take up to one year of adoption leave.

16) that if a town establishes a police department or becomes a city, the age requirements and physical and mental examination requirements of the 1977 Police Officers and Firefighters Pension Fund do not prohibit a police officer employed by the municipality from becoming a member of the 1977 Fund.

17) that if a member of the 1977 Police Officers and Firefighters Pension Fund requests a hearing concerning a determination of impairment, the local police or firefighter pension board must hold the hearing within 90 days after the member's request and must make a determination within 30 days after the hearing.

18) that members of the Judges' Retirement System may purchase service credit at full actuarial cost for prior service in an Indiana public employees' retirement fund.

19) that for purposes of the 1977 Police Officers and Firefighters Pension Fund provisions concerning line of duty benefits paid to a survivor, the term "line of duty" also includes any action that a fund member, in the member's capacity as a police officer or firefighter, performs: (A) in the course of controlling or reducing crime or enforcing the criminal law; or (B) while on the scene of an emergency run or on the way to or from the scene.

(The introduced version of this bill was prepared by the Pension Management Oversight Commission.)

Effective Date: June 1, 1998 (retroactive); July 1, 1999.

Explanation of State Expenditures: **Parts, 1, 2, 3, 5, and 6,,** will have no fiscal impact on the Funds.

Part 4 provides that after a member's actual retirement benefit is calculated, the fund shall temporarily adjust the member's benefit to reconcile any underpayment or overpayment that resulted from the payment of estimated benefits. Any impact will depend upon the adjustments made.

Part 7 will have a minimal impact on the Funds. For example, a participant who earns more than the earnings limit would have his/her benefits suspended, thereby creating an experience gain to the Funds (since the rate of rehires is assumed to be zero in the preparation of an actuarial valuation). Furthermore, although a participant may receive a higher benefit after retiring a second time, it would be for a shorter period of time since the participant would have a shorter remaining life span.

Part 10 likely will have a fiscal impact on PERF. However, it will depend upon the number of such individuals and the amount of service claimed. The fund affected is the PERF Employer Reserve Account.

Part s 11 - 14 will have no fiscal impact, since the purchase of service is at full actuarial cost.

Part 15 will have a fiscal impact. Any fiscal impact will depend upon the number of individuals who take the adoption leave, but the cost is likely to be minimal. The fund affected is the State General Fund.

Part 18 will have no fiscal impact, since the purchase of service is at full actuarial cost.

Explanation of State Revenues: **Part 8** may generate some revenue for PERF, but the amount is indeterminable.

Part 9 may generate some revenue for PERF, but the amount is indeterminable.

Explanation of Local Expenditures: **Part 16** will have no fiscal impact on the 1977 Police Officers and Firefighters Pension Fund.

Part 17 may generate some administrative costs for the 1977 Police Officers and Firefighters Pension Fund, but any costs are likely to be minimal.

Part 19 may increase the costs for the 1977 Police Officers and Firefighters Pension Fund, but the specific impact is indeterminable and will depend upon the number of Fund members who die under the expanded definition of "line of duty" death and whose survivors would otherwise would not be entitled to the benefit.

Explanation of Local Revenues:

State Agencies Affected: PERF; TRF; Judges' Retirement System; Auditor of State.

Local Agencies Affected: School corporations; cities and towns with members in the 1977 Police Officers and Firefighters Pension Fund.

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for PERF and the 1977 Police

Officers and Firefighters Pension Fund, 576-1508; Denise Jones of Gabriel Roeder Smith & Co., actuaries for TRF, 1-800-521-0498.